ANNUAL REPORT

OF THE

Prince Edward Island
Land Development Corporation

Year Ending 31 March

1985

CHARLOTTETOWN, PRINCE EDWARD ISLAND

23 July 1985

The Honourable Prowse Chappell
Minister Responsible for the
P.E.I. Land Development Corporation
Charlottetown
Prince Edward Island

Honourable Sir:

In accordance with the Prince Edward Island Land Development Corporation Act, I enclose the report of the Corporation for the fiscal year ended March 31, 1985.

This statement includes the Corporation's audited financial statements for this period.

Respectfully submitted,

FREDERICK G. DOLLAR
Chairman of the Board

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MEMBERS OF THE BOARD OF DIRECTORS

PRINCE EDWARD ISLAND

LAND DEVELOPMENT CORPORATION

MARCH 31, 1985

CHAIRMAN	
Mr. Frederick G. Dollar	Farmer, Winsloe
VICE-CHAIRMAN	
Mr. Leslie Underhay	Farmer, Fortune
SECRETARY/TREASURER	
* Mr. Stanhope Moore	General Manager Land Development Corporation
MEMBERS	
Mr. Alexander Griswold	Dept. of Agriculture
Mr William Jay	P.E.I. Lending Authority
Mr. Lloyd Palmer	Dept. of Agriculture
Mr. Colbourne Clow	Farmer, Freetown
ADVISORY MEMBER	
* Mr. John Van Abbema	Farm Credit Corporation Moncton, New Brunswick

* Non-voting

THE PRINCE EDWARD ISLAND

LAND DEVELOPMENT CORPORATION

POLICY OBJECTIVE

"TO CONSERVE, DEVELOP AND ASSIST IN IMPROVING THE USE OF LAND IN PRINCE EDWARD ISLAND IN RELATION TO ITS CAPABILITY AND IN ACCORDANCE WITH THE PUBLIC INTEREST, BUT WITH A PRIMARY OBJECTIVE OF CONSOLIDATING GOOD AGRICULTURAL LANDS FOR THE PURPOSE OF INCREASING FARMER AND AGRICULTURAL SECTOR INCOME."

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

PROGRAM OBJECTIVES

The Land Development Corporation acts as land adjustment agent to:

(a) purchase and retain for farm use agricultural land which is offered for sale.

(b) assist developing and establishing farmers who require land by improving this land as necessary and by making this land available on reasonable terms.

(c) improve the pattern of land holdings and land use in certain areas by land consolidation and to bank lands as required.

(d) to transfer from agricultural use land unsuitable for agricultural purposes, and to act as government purchasing agent for the Forestry, Fish & Wildlife and Tourism, Parks and Conservation sectors.

PROGRAM AREAS

The program areas established in order to carry out these objectives include:

(a) Acquisition of land:
to acquire land by means of:

i) direct cash purchase from farmers desiring to sell their farm properties.

ii) the annuity program whereby farmers over 60 years of age could receive a monthly annuity for five years. The farm owner also has the option for a lifetime lease of his house and one acre of land.

(b) Dispersal of land:
the mechanisms set up for dispersal of land to farmers include:

i) sales — through direct cash, agreements of sale, or mortgage

ii) renewable five year lease arrangements with the option to purchase

iii) transfer of non-agricultural lands to other sectors for management.

REPORT

"The Land Development Corporation was designed as the vehicle to effectively bring about structural changes in agriculture, the most important of which are lands consolidation, farm unit organization and farm improvements. The Corporation can also play a key role in promoting desirable alternative use for rural lands, such as forestry, wildlife and recreation.

This statement which is found in each of the last fifteen Annual Reports, bears repeating. It is through programs such as those of the Land Development Corporation that the potential of the land resource may be realized thereby increasing income employment and contribution to the economic development of the Province. The wise and efficient utilization of the land resource is, therefore, one of the keys to the success of the Comprehensive Development Plan.

GENERAL MANAGER'S REPORT

The fiscal year ending March 31, 1985, marks the sixteenth (16th) year the Corporation has been assisting farmers in acquiring land to begin farming or to expand their present farming enterprises. We are pleased to report that we have completed a very active year. During the period under review, the Corporation purchased sixty-three (63) properties at a value of $3,906,131.00. A total of seventy-three (73) properties were sold at a value of $1,409,722.00 either for cash or financed by way of a mortgage. These sales, for the most part, were properties on which the five (5) year lease terminated and the farmers exercised their option to purchase. Financing to farmers included one hundred and six (106) new leases at a value of $3,830,372.00 and eighteen (18) mortgages at a value of $395,149.00 for a total of $4,225,521.00. This represents a thirty percent (30%) increase over the activity for the last fiscal year.

Lease rates during the first quarter of the year under review were at nine point nine seven per cent (9.97%) while the second and third quarter rose to ten point eight one per cent (10.81%) and ten point eight nine per cent (10.89%) respectively. The final quarter dropped to ten point zero five per cent (10.05%). Lease rates are subject to change quarterly and are calculated from the Corporation's borrowing for the previous quarter.

Mortgage rates are the same as Farm Credit Corporation's rates and were subject to change more frequently then in previous years. For shorter periods of time, rates were at fourteen per cent (14%), twelve and three-quarters per cent (12 ¾%), thirteen and one-half per cent (13 ½%), and thirteen per cent (13%).

Applications for capital improvements decreased during the year with a total amount approved for $168,270.00. The monies advanced for these improvements are added to the option price of the lease or the capital balance of the mortgage.

During the year under review, the Corporation continued to purchase only properties that could be sold or leased immediately. There were no properties purchased to place in inventory for future use. Under this policy, we are in a position to reduce our existing inventory and corresponding carrying costs.

In my last Annual Report, I noted that during the latter part of the year the demand for land by new farmers and expanding farmers was demonstrated by the increased activity of the Corporation. This trend and improved confidence on the part of farmers continued during the present year and resulted in the second highest year of activity in the Corporation's history.

During the fiscal year, Mrs. Leola Callaghan, our Property Mapping Technician, retired after ten (10) years of service with the Corporation. On behalf of the Corporation's Board of Directors and the staff, I wish Mrs. Callaghan a long and happy retirement. Our Administrator, Mr. Leonard J. Keefe, was granted a one year leave of absence, and we were pleased to have Mr. Tom Wallis return to the Corporation to carry on the administrative duties during Mr. Keefe's absence.

To conclude this report, I acknowledge the co-operation received by the management and staff from the Chairman of the Board and its members, the Minister Responsible, Hon. Prowse Chappell, and other provincial and federal departments with which our staff must work.

Respectfully submitted,

W. S. MOORE, P.Ag.,
General Manager

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

STAFF

BETWEEN 1 APRIL 1984 AND 31 MARCH 1985

W. Stanhope Moore	General Manager
Pamela J. S. Campbell	Secretary to General Manager
Ernest Hudson	Regional Representative
Frank Duguay	Regional Representative
Edgar Coffin	Regional Representative
George Harris	Agricultural Technician
Leonard Keefe	Administrator

AUDITOR'S REPORT

To the Board of Directors
Prince Edward Island Land Development Corporation

I have examined the balance sheet of the Prince Edward Island Land Development Corporation as at March 31, 1985 and the statement of financial activities for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

T. Kaptein, C.A.,
Auditor General

Charlottetown, Prince Edward Island
July 16, 1985

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

BALANCE SHEET

MARCH 31, 1985

(with comparative figures at March 31, 1984)

ASSETS

	1985	1984
CURRENT ASSETS		
Cash	$ 202,101	$ 180,159
Accounts Receivable — Trade — Note 2	1,615,334	1,397,846
— Province of P.E.I.	76,162	—
Accrued interest	137,058	89,654
Property — held for resale	3,292,421	2,787,334
— leased — Note 3	13,631,938	11,480,290
— A.R.D.A. properties — Note 4	30,149	39,849
Mortgages and agreements of sale — Current portion	108,008	90,008
	19,093,171	16,065,140
LONG-TERM ASSETS		
Mortgages receivable	1,485,252	1,248,945
Agreements of sale receivable	490,048	541,102
	1,975,300	1,790,047
Less: Current portion	108,008	90,008
	1,867,292	1,700,039
Fixed Asset — Computer	11,454	11,454
Less: Accumulated Depreciation — Note 1(c)	3,851	1,821
	7,603	9,633
	1,874,895	1,709,672
TOTAL ASSETS	$20,968,066	$17,774,812

(Notes 1 to 8 are an integral part of these financial statements)

STATEMENT 1

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

BALANCE SHEET

MARCH 31, 1985

(with comparative figures at March 31, 1984)

LIABILITIES

	1985	1984
CURRENT LIABILITIES		
Accounts payable		
— Province of Prince Edward Island	$ 1,664,878	$ 1,394,830
— General	36,353	24,684
— A.R.D.A. program — Note 4	22,297	22,207
— Accrued taxes	6,653	6,653
Note payable — Province of Prince Edward Island — Note 8	11,543,545	8,538,545
Long-term liabilities — Current portion	97,199	88,703
	13,370,925	10,075,622
LONG-TERM LIABILITIES		
Loans — Province of Prince Edward Island Note 5	7,679,265	7,767,968
Less: Current portion	97,199	88,703
	7,582,066	7,679,265
A.R.D.A. deferred profit on acquisition of properties — Note 4	15,075	19,925
	7,597,141	7,699,190
TOTAL LIABILITIES	$20,968,066	$17,774,812

STATEMENT 2

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31, 1985

(with comparative figures for the year ended March 31, 1984)

		1985		1984
INCOME				
Provincial Appropriation		$ 558,902		$ 320,241
Lease income — Note 3		1,361,206		1,208,566
Interest earned		368,329		342,337
Profit on sale of property — Note 6		40,029		69,884
Miscellaneous income		37,838		13,075
A.R.D.A. Lease income — Note 4		5,584		952
		$2,371,888		$1,955,055
EXPENSES				
Administration				
Salaries	$255,742		$241,747	
Office Rental	—		17,877	
Office supplies and expense	16,210		19,503	
Travel	10,552		9,702	
General	7,586		11,439	
Board members — fees and expenses	8,666	$ 298,756	6,167	$ 306,435
Interest		1,809,034		1,531,188
Land transfer costs - Note 7		(2,050)		(16,460)
Bad debts		180,205		62,212
Property purchases expenses		53,436		35,708
Property maintenance		30,477		34,151
Depreciation Expense — Note 1(c)		2,030		1,821
		$2,371,888		$1,955,055

(Notes 1 to 8 are an integral part of these financial statements)

PRINCE EDWARD ISLAND LAND DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1985

1. Summary of significant accounting policies:

   (A) Net Income —

   The financial statements of the Corporation do not reflect any net income. Government policy is that the Province of Prince Edward Island will absorb the profits or losses of the Corporation in the year in which they occur.

   (B) Inventory —

   The land and buildings held for resale or lease are valued at the lower of cost or net realizable value. It is the policy of the Corporation to recognize inventory purchases or sales at the time the funds are disbursed or received.

   (C) Depreciation —

   Depreciation is being charged against the computer at a rate equal to the principal reduction on the five year loan provided by the Province to finance the purchase.

2. Accounts Receivable — Trade-Consist of the following:

	1985	1984
Agreement of Sale — principal receivable — Due March 31	$ 37,396	$ 31,860
Agreement of Sale interest receivable	81,506	71,760
Mortgages — principal receivable — Due March 31	69,354	55,600
Mortgage interest receivable	226,489	152,214
A.R.D.A. Lease income receivable	2,604	2,522
Community pastures receivable	332	780
Lease income receivable	1,478,189	1,238,967
Miscellaneous	25,745	9,163
	1,921,615	1,562,866
Less: Allowance for doubtful accounts	306,281	165,020
	$1,615,334	$1,397,846

3. The majority of the leases are for a period of 5 years with the option to purchases at the end of the lease. The majority of the lessees in the past have exercised this option.

4. Title to the A.R.D.A. properties was transferred to the Corporation during the year ended March 31, 1975. This transfer was made at a nil cost to the Corporation, however, the properties were recorded at their original cost under the A.R.D.A. program. Pursuant to the Federal-Provincial Cost Sharing Agreement half of the transfer amount was reflected as payable to the Federal Government and half as deferred profit to be recognized as the A.R.D.A. properties were sold. In addition, half of the lease income earned from the properties is also payable to the Federal Government.

5. Loans payable — Province of Prince Edward Island, consists of $4,891,000 covered by an agreement between the Province of Prince Edward Island and the Government of Canada. Under this agreement Prince Edward Island Land Development Corporation is to make repayment in three installments — the twentieth, twenty-fifth and thirtieth anniversary dates. For the remaining loans payable, repayment is to be made on an annual basis to maturity. There are 38 separate loans with varying interest rates between 6 11/16% and 13 1/4% and maturity dates between 1997 and 2005.

6. Profit on the sale of property for the year ended March 31, 1985 was based on the following:

Sale of property during the year	$1,409,722
Less: Cost of property sold	1,369,693
	$ 40,029

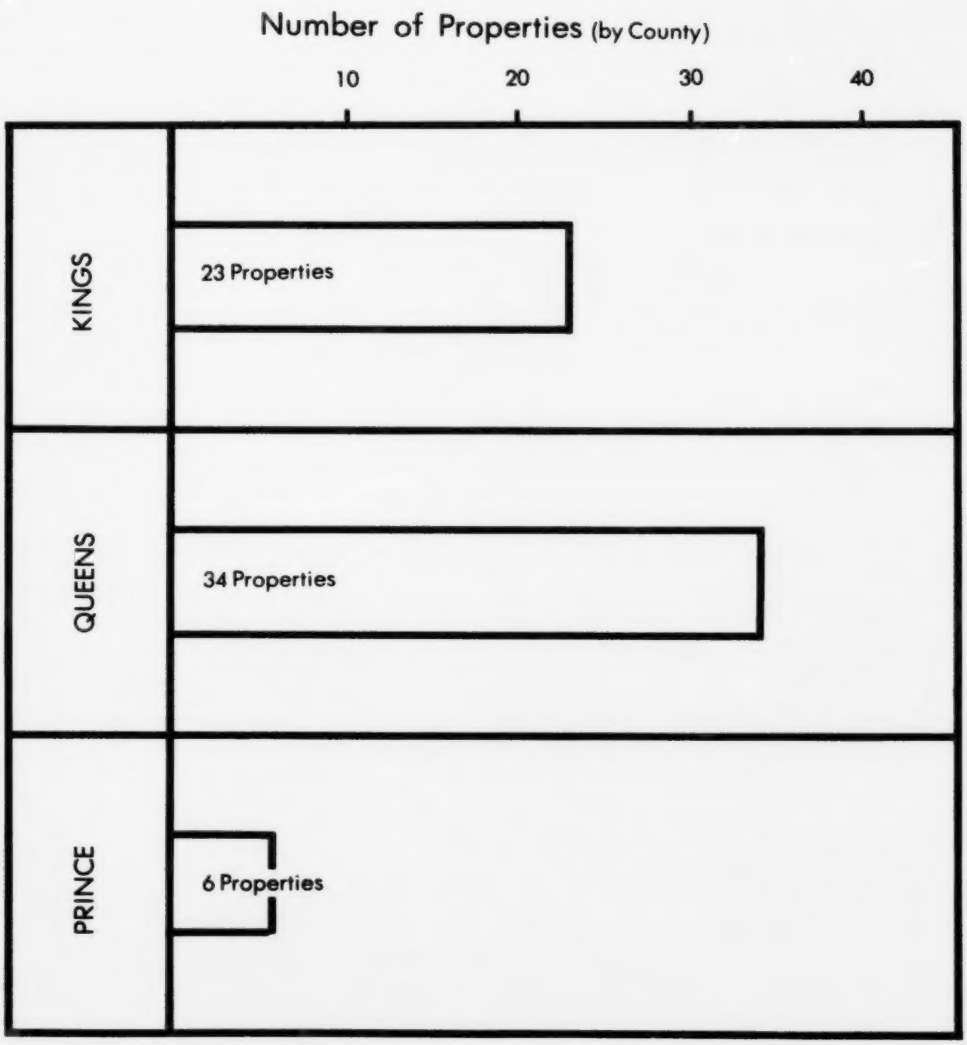
7. Accumulated land transfer costs under the Land Leakage Program to March 31, 1985 totalled:

Buildings	$ 150,895
Land	5,198,641
	$5,349,536

8. The Note Payable is renewed at the beginning of each month with the interest rate charged being the Province's short term lending rate. At March 31, 1985 the interest rate charged was 11.14%.

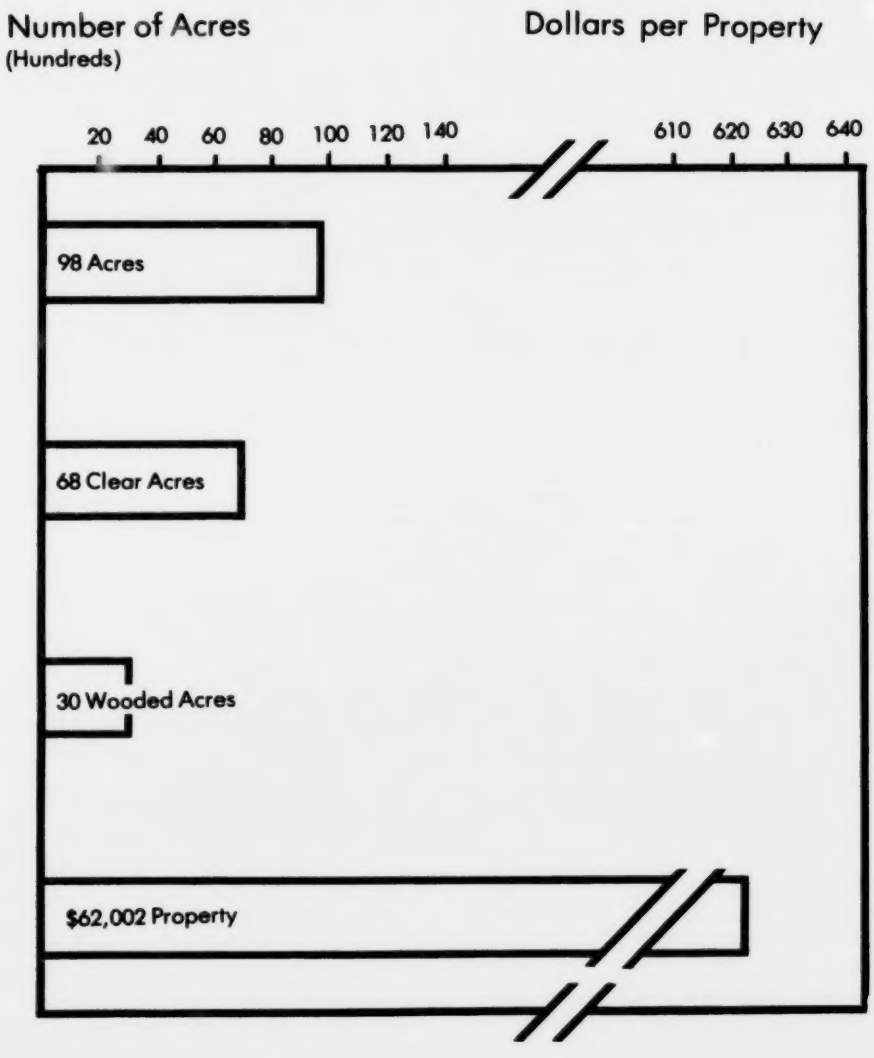
1984-1985 SUMMARY OF LDC PURCHASES

63 Properties



1984-1985 SUMMARY OF LDC PURCHASES

(Average Figures)



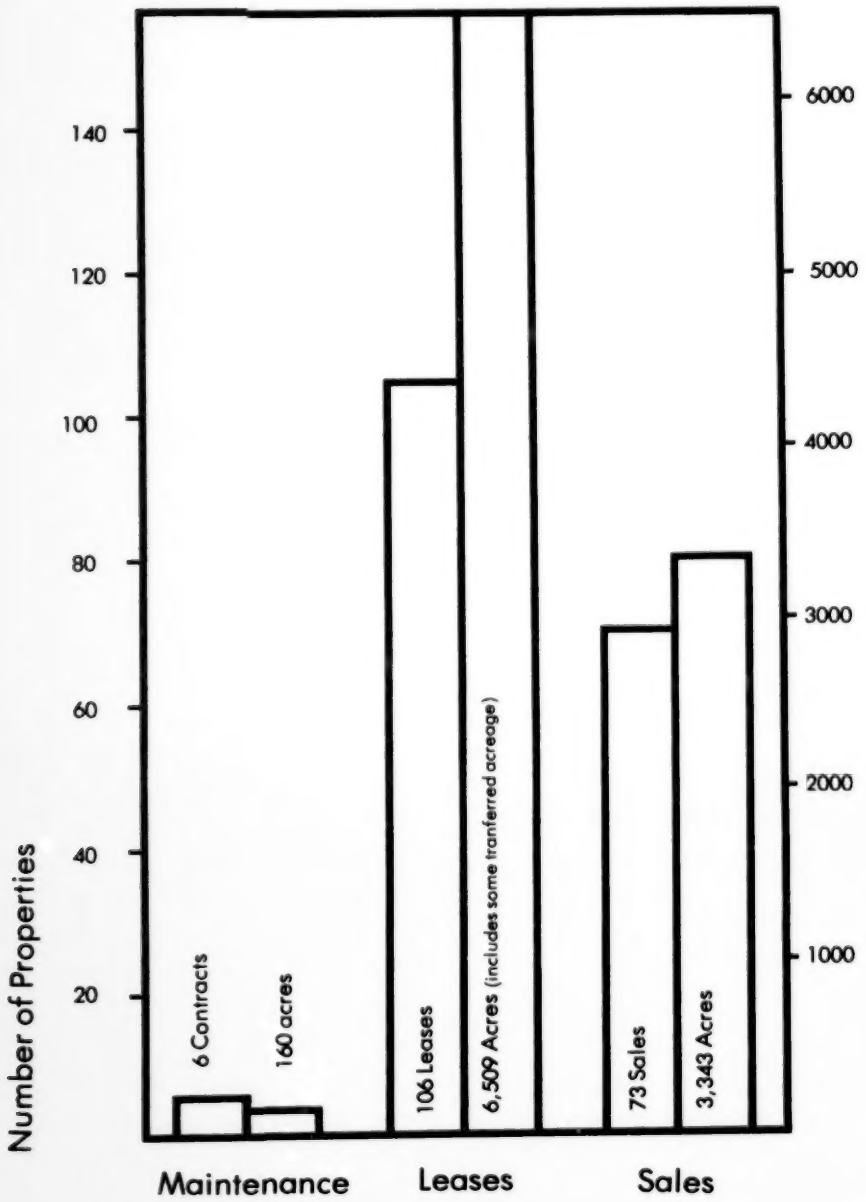
1984-1985 SUMMARY OF LDC PURCHASES

Number of Properties
Number of Dollars
Number of Acres

PROPERTIES	63 Properties (excluding Building Improvements) 20 Building Improvements (Individual Advances — 18 Individuals)
DOLLARS	$3,906,131.00 Total Cost (excluding Building Improvements) $168,270 Building Improvements (Includes Land Improvement)
ACRES	6,127 Acres

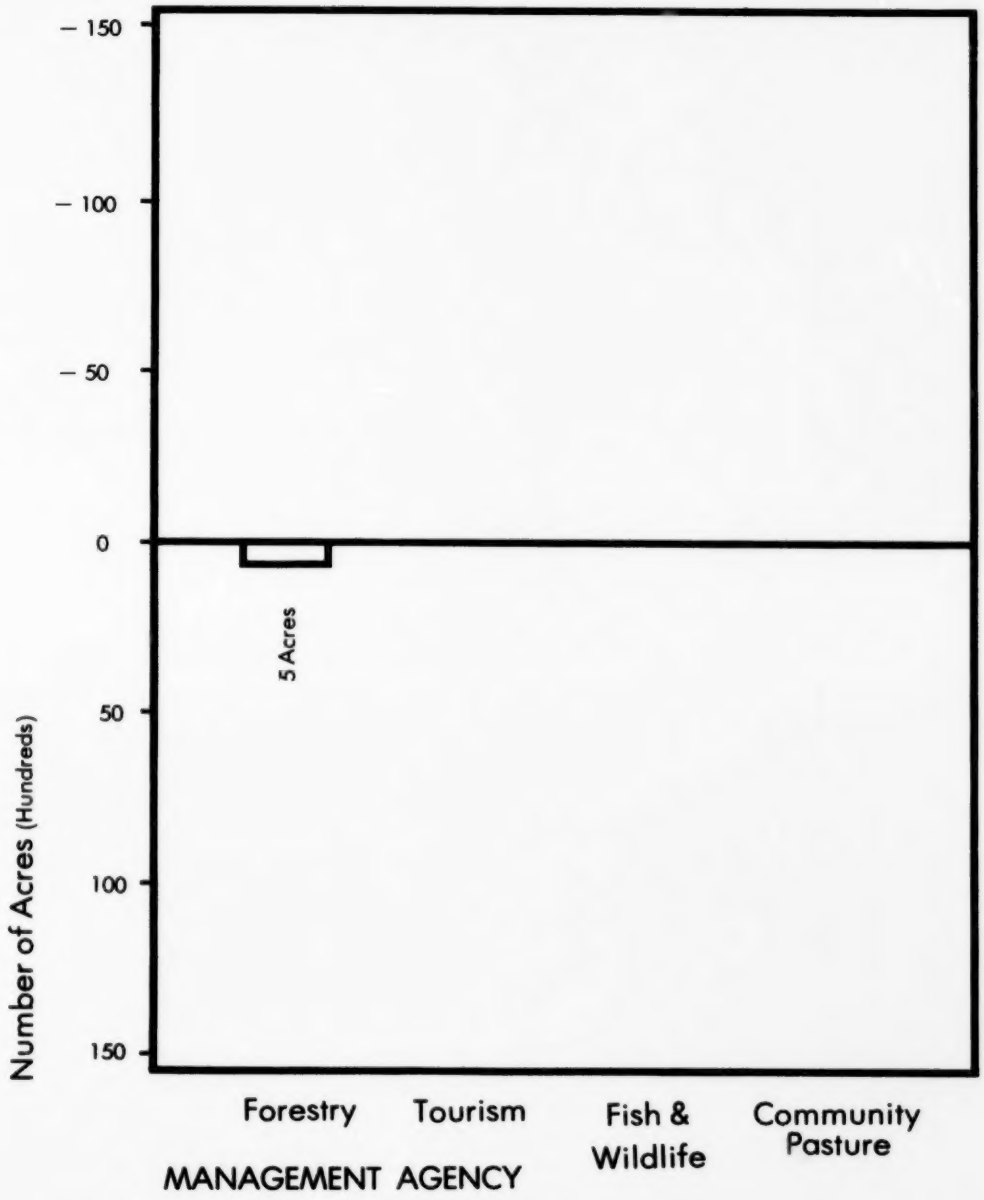
1984-1985 SUMMARY USE OF LANDS

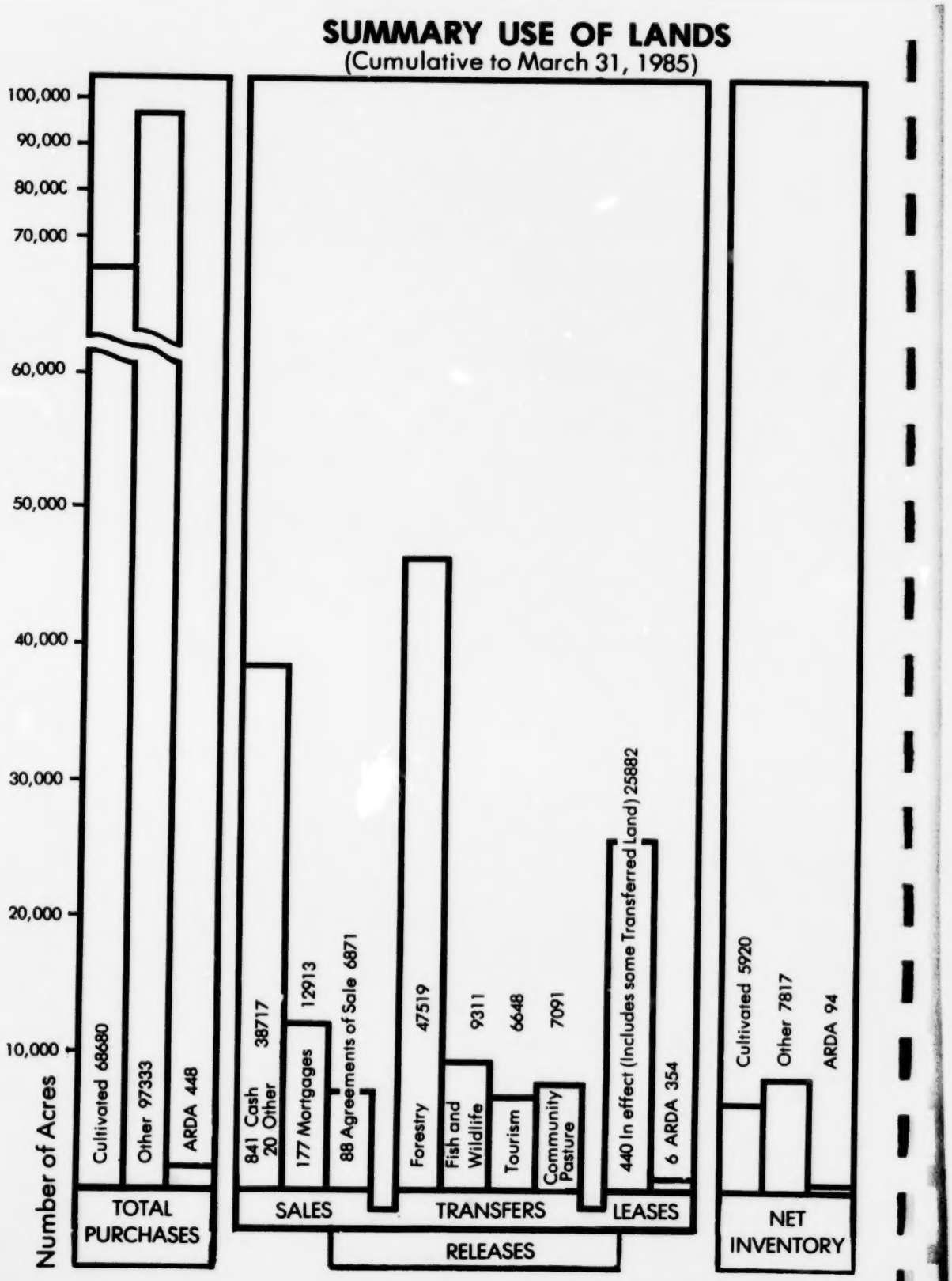
(agreements completed 1984-1985)



1984-1985 TRANSFER OF LANDS

(adjustment and deleakage)




SUMMARY USE OF LANDS
(Cumulative to March 31, 1985)
Number of Acres
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
Cultivated 68680
Other 97333
ARDA 448
TOTAL PURCHASES
841 Cash 38717
20 Other
177 Mortgages 12913
88 Agreements of Sale 6871
SALES
Forestry 47519
Fish and Wildlife 9311
Tourism 6648
Community Pasture 7091
TRANSFERS
440 In effect (Includes some Transferred Land) 25882
6 ARDA 354
LEASES
RELEASES
Cultivated 5920
Other 7817
ARDA 94
NET INVENTORY